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January 24, 2003

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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## **Supplemental Notes**

Prepared for the Federal Open Market Committee  
by the staff of the Board of Governors of the Federal Reserve System

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## Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

Type of credit	2002	Q3 2002	Q4 2002	Oct. 2002	Nov. 2002	Dec. 2002	Level, Dec. 2002 (\$ billions)
<b>Total</b>							
<b>1. Adjusted<sup>1</sup></b>	<b>6.6</b>	<b>8.9</b>	<b>11.0</b>	<b>6.9</b>	<b>15.2</b>	<b>8.7</b>	<b>5,679</b>
2. Reported	6.9	12.3	11.4	6.0	16.0	9.9	5,885
<i>Securities</i>							
3. Adjusted <sup>1</sup>	12.4	11.4	12.9	2.5	31.9	15.8	1,508
4. Reported	13.0	23.3	14.3	-.3	32.7	18.8	1,714
5. Treasury & Agency	18.3	23.2	22.3	11.7	35.7	13.1	1,012
6. Other <sup>2</sup>	6.0	23.6	3.2	-17.3	28.4	27.3	702
<i>Loans<sup>3</sup></i>							
7. Total	4.7	8.0	10.3	8.5	9.3	6.2	4,170
8. Business	-7.0	-8.5	-4.9	-6.4	-3.2	-2.9	965
9. Real estate	12.8	18.8	19.8	20.0	19.9	12.2	2,020
10. Home equity	36.1	39.9	22.5	23.9	16.4	26.6	212
11. Other	10.6	16.4	19.5	19.7	20.2	10.6	1,808
12. Consumer	4.5	4.2	7.7	2.7	.0	1.8	586
13. Adjusted <sup>4</sup>	3.5	1.7	5.8	6.5	8.7	2.3	932
14. Other <sup>5</sup>	1.0	6.5	7.2	1.2	3.8	5.2	599

Note. All data are adjusted for breaks caused by reclassifications. Monthly levels are pro rata averages of weekly (Wednesday) levels. Quarterly levels (not shown) are simple averages of monthly levels. Annual levels (not shown) are levels for the fourth quarter. Growth rates are percentage changes in consecutive levels, annualized but not compounded. The conversion from a thrift to a commercial bank charter added approximately \$37 billion to the assets and liabilities of domestically chartered commercial banks in the week ending May 8, 2002.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FIN 115).

2. Includes private mortgage-backed securities, securities of corporations, state and local governments, and foreign governments and any trading account assets that are not Treasury or Agency securities, including revaluation gains on derivative contracts.

3. Excludes interbank loans.

4. Includes an estimate of outstanding loans securitized by commercial banks.

5. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

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**Selected Financial Market Quotations**  
(One-day quotes in percent except as noted)

Instrument	2000	2001	2002	2003	Change to Jan. 23 from selected dates (percentage points)		
	June 26	Sept. 10	Dec. 9	Jan. 23	2000 June 26	2001 Sept. 10	2002 Dec. 9
<i>Short-term</i>							
FOMC intended federal funds rate	6.50	3.50	1.25	1.25	-5.25	-2.25	.00
Treasury bills <sup>1</sup>							
3-month	5.66	3.19	1.21	1.15	-4.51	-2.04	-.06
6-month	5.94	3.13	1.26	1.18	-4.76	-1.95	-.08
Commercial paper (A1/P1 rates)							
1-month	6.56	3.42	1.31	1.25	-5.31	-2.17	-.06
3-month	6.56	3.24	1.33	-	-	-	-
Large negotiable CDs <sup>1</sup>							
1-month	6.64	3.46	1.36	1.27	-5.37	-2.19	-.09
3-month	6.73	3.26	1.34	1.27	-5.46	-1.99	-.07
6-month	6.89	3.24	1.36	1.27	-5.62	-1.97	-.09
Eurodollar deposits <sup>2</sup>							
1-month	6.63	3.41	1.36	1.28	-5.35	-2.13	-.08
3-month	6.69	3.26	1.35	1.28	-5.41	-1.98	-.07
Bank prime rate	9.50	6.50	4.25	4.25	-5.25	-2.25	.00
<i>Intermediate- and long-term</i>							
U.S. Treasury <sup>3</sup>							
2-year	6.54	3.59	1.90	1.70	-4.84	-1.89	-.20
10-year	6.35	5.14	4.35	4.23	-2.12	-.91	-.12
30-year	6.22	5.55	5.15	5.09	-1.13	-.46	-.06
U.S. Treasury 10-year indexed note	4.09	3.26	2.46	2.16	-1.93	-1.10	-.30
Municipal revenue (Bond Buyer) <sup>4</sup>	5.99	5.25	5.24	5.17	-.82	-.08	-.07
Private instruments							
10-year swap	7.38	5.62	4.51	4.40	-2.98	-1.22	-.11
10-year FNMA	7.15	5.64	4.58	4.45	-2.70	-1.19	-.13
10-year AA <sup>5</sup>	7.64	6.30	5.40	5.20	-2.44	-1.10	-.20
10-year BBB <sup>5</sup>	8.40	7.11	6.94	6.59	-1.81	-.52	-.35
High-yield <sup>6</sup>	12.30	12.72	12.45	11.42	-.88	-1.30	-1.03
Home mortgages (FHLMC survey rate) <sup>7</sup>							
30-year fixed	8.14	6.89	6.19	5.97	-2.17	-.92	-.22
1-year adjustable	7.22	5.64	4.21	4.03	-3.19	-1.61	-.18

Stock exchange index	Record high		2001	2002	2003	Change to Jan. 23 from selected dates (percent)		
	Level	Date	Sept. 10	Dec. 9	Jan. 23	Record high	2001 Sept. 10	2002 Dec. 9
Dow-Jones Industrial	11,723	1-14-00	9,606	8,473	8,369	-28.61	-12.87	-1.23
S&P 500 Composite	1,527	3-24-00	1,093	892	887	-41.91	-18.78	-.52
Nasdaq (OTC)	5,049	3-10-00	1,695	1,367	1,388	-72.50	-18.11	1.55
Russell 2000	606	3-9-00	441	386	384	-36.70	-12.94	-.68
Wilshire 5000	14,752	3-24-00	10,104	8,438	8,406	-43.02	-16.81	-.39

1. Secondary market.
2. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time.
3. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
4. Most recent Thursday quote.
5. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.
6. Merrill Lynch Master II high-yield bond.
7. For week ending Friday previous to date shown.

NOTES:

June 26, 2000, is the day before the FOMC meeting that ended the most recent period of policy tightening.  
September 10, 2001, is the day before the terrorist attacks.  
December 9, 2002, is the day before the most recent FOMC meeting.